

Message Text

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ACTION EB-07

INFO OCT-01 EA-06 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01

PRS-01 /089 W

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R 131044Z MAY 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 3480

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E.O. 11652: N/A

TAGS: ENRG, RP

SUBJECT: OIL PRICE INCREASE GRANTED BY GOP

SUMMARY: ON MAY 16 PRESIDENT MARCOS AUTHORIZED PRICE INCREASES FOR ALL PETROLEUM PRODUCTS FOLLOWING REVIEW OF THE QUESTION BY A SPECIAL COMMITTEE ESTABLISHED AFTER HE HAD SUSPENDED PREVIOUS INCREASES ANNOUNCED MAY 6. THE NEW INCREASES ARE marginally lower than those previously "RECOMMENDED" BY THE OIL INDUSTRY COMMISSION AND PROVISION WAS MADE FOR SPECIAL DISCOUNTS FOR SPECIAL INTEREST GROUPS SUCH AS TRANSPORTATION AND GRAIN HAULING COMPANIES AND FISHERMEN. END SUMMARY.

1. PRICES ON ALL PETROLEUM PRODUCTS WERE INCREASED MAY 16 BY WEIGHTED AVERAGE OF SEVEN CENTAVOS A LITER. THE LARGEST INCREASE IS FOR PREMIUM GASOLINE AT 13 CENTAVOS PER LITER.

2. FOLLOWING IS COMPARISON OF PRICES, AS RECOMMENDED BY OIC ON MAY 6, AS ALLOWED BY PRESIDENT AND THE OLD PRICES.

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U PRICE
 MAY 6 NEW " OLD
PREMIUM GASOLINE P1.29 P1.28 P1.15
REGULAR GASOLINE 1.23 1.22 1.09
AUTOMOTIVE DIESEL OIL 0.975 0.95 0.87
KEROSENE-SERVICE
STATIONS 0.94 0.915 0.845
AMBULANT RESELLERS 0.98 0.955 0.885
SARA-SARA STORES 1.08 1.05 0.985
AVIATION TURBO 0.98 0.975 0.885
INDUSTRIAL FUEL OIL 0.6555 0.6505 0.5931
LIQUEFIED
PETROLEUM GAS 0.78 0.755 0.685
EFFECTIVE MAY 16, 1975

3. NEW PRICES ARE BASED ON RECOMMENDATION OF COMMITTEE
CREATED BY PRESIDENT TO REVIEW OIC RECOMMENDATIONS AND HEADED
BY SECRETARY OF NATIONAL DEVELOPMENT GERARDO SICAT.

4. PRESIDENT ALSO ISSUED LETTER OF INSTRUCTION WHICH
PERMITS DISCOUNTS FOR MOST AFFECTED "ESSENTIAL
INDUSTRIES" SUCH AS BUS AND JEEPNEY OPERATORS AND
GRAIN HAULERS AS WELL AS FISHERMEN. DISCOUNTS WILL HAVE
TO BE BORNE BY OIL COMPANIES, EFFECTIVELY REDUCING
PRICE INCREASE BY ROUGHLY ONE-HALF, AS FAVORED GROUPS
ACCOUNT FOR 50 PERCENT OF CONSUMPTION.

LG5. COMMENT: NEW PRICE STRUCTURE COMPLICATES EVEN MORE
AN ALREADY DISMALLY INVOLVED SYSTEM OF DISCOUNTS,
MARKUPS, REBATES AND TAXES. SIGNIFICANTLY THE
PHILIPPINE NATIONAL OIL COMPANY WAS GRANTED
AN INCREASED REBATE FOR ITS "PETROLEUM EXPLORATION AND
CONSERVATION FUND" (SIC) WHICH FURTHER PUTS PRIVATE COMPANIES
AT A DISADVANTAGE. WHILE PHILIPPINE CHAMBER OF COMMERCE
PROPOSAL TO NATIONALIZE OIL INDUSTRY (SEPTOL) MAY BE
STRAIGHT FROM LEWIS CARROLL THE WAY THE GOP HAS GONE ABOUT
FAVORING PNOC IN THE LAST TWO PRICE INCREASES DOES LITTLE
TO INSTILL CONFIDENCE THAT PRIVATE OIL COMPANIES HAVE A
BRIGHT FUTURE IN PHILIPPINES. FURTHER BLOW IS THAT OIL
COMPANIES ARE ASKED TO SUBSIDIZE FUEL FOR PUBLIC
TRANSPORTATION, SMALL FISHING, AND "CORN HAULERS".
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6. GOP HANDLING OF OIL PRICE INCREASE EXHIBITED GREAT
CONFUSION AND FAULTY STAFFWORK. ORIGINAL ANNOUNCEMENT WAS
MADE ON MAY 6, THE DAY AFTER FAILURE STEEP RISE IN RETAIL SUGAR
PRICE. STRONG PUBLIC

REACTION, PARTLY STIMULATED
BY CONTROLLED GROUPS, RESULTED IN SUSPENSION OF

INCREASES, AND FORMATION OF SPECIAL CABINET
COMMITTEE WHICH HAS NOW COME UP WITH SMALLER INCREASES
IN PRICES FOR OIL AND SUGAR PRODUCTS. THIS HARDLY
CONTRIBUTES TO PUBLIC CONFIDENCE AND STABILITY OF THE
MARKET, AND IT APPEARS SUFFICIENT EVIDENCE THAT SOME
ECONOMIC PRESSURE GROUPS SUCH AS JEEPNEY DRIVERS
REMAIN ARTICULATE.
SULLIVAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 13 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: RowellE0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MANILA06720
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750173-0803
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750558/aaaacabk.tel
Line Count: 123
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: RowellE0
Review Comment: n/a
Review Content Flags:
Review Date: 23 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 JUL 2003 by BoyleJA>; APPROVED <19 NOV 2003 by RowellE0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OIL PRICE INCREASE GRANTED BY GOP SUMMARY: ON MAY 16 PRESIDENT MARCOS AUTHORIZED PRICE
TAGS: ENRG, RP
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006